

Message Text

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ACTION PM-04

INFO OCT-01 NEA-10 ISO-00 MC-02 SS-15 L-03 NSC-05 IGA-02
EB-07 COME-00 TRSE-00 OMB-01 CIAE-00 INR-07 NSAE-00
/057 W

-----181548Z 079879 /53

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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 708
INFO SECDEF WASHDC//ISA//

C O N F I D E N T I A L KUWAIT 0346

E.O. 11652: GDS
TAGS: BEXP, MASS, KU
SUBJ: NAVAL PATROL BOATS: REPORT ON STATUS OF U.S. - FRENCH-
BRITISH SALES COMPETITION

REF: 76 STATE 063992

UQM FOLLOWING JANUARY 17 MEETING AT MINISTRY OF DEFENSE, TACOMA
BOAT CO. (TBC) VICE PRESIDENT (MARKETING) MARTIN KANE BRIEFED
AMBASSADOR AND EMBOFFS ON FOLLOWING DIFFICULTIES WHICH HZAWAS
ENCOUNTERING IN CONNECTION WITH TBC'S EFFORT TO SELL 10
PATROL BOATS TO GOK:

A. KANE BELIEVES THAT, OF THE FOUR PATROL BOAT BIDS SUBMITTED
(TWO BRITISH, ONE FRENCH AND TBC'S) HIS FIRM IS THE LOW BIDDER
BY 10 TO 15 PERCENT. KANE, HOWEVER, FEARS THAT THE FRENCH WILL
WIN THE COMPETITION; HE AL DED TO SHADY DEALINGS. HE SAYS
THAT THERE IS A PRO-FRENCH BIAS ON THE PART OF LOCAL PAKISTANI
NAVAL ADVISORS SECONDED TO GOK NAVY. KANE ADMITS, HOWEVER,
THAT ANY OF THE FOUR FIRMS INVOLVED IS COMPETENT TO BUILD THE
BOAT THE KUWAITIS WANT.

B. THE GOK HAS ASKED FOR NEW PRICE QUOTES FROM COMPETING
FIRMS AND KANE PLANS TO RETURN TO THE U.S. JANUARY 19 AND TELEX
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NEW QUOTE TO GOK (VALID UNTIL FEBRUARY 28, 1977). QUOTE WILL
BE APPROXIMATELY \$200 MILLION FOR TEN BOAT PACKAGE, ABOUT
HALF OF WHICH AMOUNT WILL BE U.S. SOURCE MATERIAL AND SERVICES.

C. KANE ALSO PLANS TO VISIT PENTAGON (DSAA), COMMERCE,
STATE, AND KUWAITI EMBASSY IN WASHINGTON SHORTLY IN ORDER TO
BRIEF USG OFFICIALS AND KUWAITI AMBWESADOR JAFFAR. KANE SAYS

THAT JAFFAR HAS OFFERED ASSISTANCE TO TBC IN COMPEM TION.

D. IN PLANNED DISCUSSIONS WITH DSAA AND STATE, KANE WILL ADVOCATE THAT TBC'S COMMERCIAL OFFER BE CHANGED TO AN FMS LETTER OF OFFER WHICH, HE ASSERTS, WOULD GREATLY IMPROVE EC'S POSITION IN THE SALES COMPETITION. HE ARGUES THAT THE GOK WOULD MUCHN PREFER TO PURCHASE THE VESSELS ON A GOVERNMENT-TO-GOVERNMENT BASIS. (EMBASSY CONFIRMED TO KANE HIS UNDERSTANDING OF THE BACKGROUNDMC OF THE GOK'S PATROL BOAT/HARPOON MISSILE REQUEST AND YID NOTHING TO ENCOURAGE OR DISCOURAGE KANE'S PLANNED DISCUSSIONS, NOTING THAT THE TRANSACTION CURRENTLY APPROVED IS A COMMERCIAL RATHER THAN FMS SALE OF BOATS, WOTHOUT U.S. MISSILES. DEPARTMENT PRESUMABLY IS AWARE THAT TBC WOULD INSTALL FRENCH-EXOCET MISSILE SYSTEM IF IT WINS THE CONTRACT.)

E. KANE ALSO PLANS TO REQUEST STATE/DEFENSE TO RECONSIDER EARLIER DAKISION (REFTEL) NOT TO SELL HARPOON MISSILE TO KUWAIT, ARGUING THAT THE KUWAITIS WOULD CERTKANLY BUY TBC BOATS IF THEY WERE OFFERED IN CONJUNCTION WITH THIS MISSILE, AND EMPHASIZING KUWAITI DISAPPOINTMENT IN HAVING USG REFUSE HARPOON TO KUWAIT BUT OFFER IT TO IRACIAND SAUDI ARABIA.

2. KANE SAID HE WAS NOT REQUESTING ANY ASSISTANCE FROM EMBASSY AT THIS POINT.
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